

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN DON HARGROVE**, on March 21, 2001 at 10:00 A.M., in Room 335 Capitol.

ROLL CALL

Members Present:

Sen. Don Hargrove, Chairman (R)
Sen. John C. Bohlinger, Vice Chairman (R)
Sen. Pete Ekegren (R)
Sen. Eve Franklin (D)
Sen. Ken Toole (D)

Members Excused: Sen. Edward Butcher (R)
Sen. Jim Elliott (D)
Sen. Fred Thomas (R)

Members Absent: None.

Staff Present: Lynette Brown, Committee Secretary
David Niss, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 452, 3/8/2001
Executive Action:

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HEARING ON HB 452

Sponsor: REP. JAMES WHITAKER, HD 41, Great Falls

Proponents: Jerry Williams, Montana Police Protective Association
Tom Schneider, Montana Public Employees Association
Mark Tymrak, Montana Association of Chiefs of Police

Kathy McGowan, Montana Sheriffs and Peace Officers Association
Richard Klemencic, Retired Police Officers Association
Jack Osweiler, Retired Police Officers Association

Opponents: None

Opening Statement by Sponsor:

REP. JAMES WHITAKER, HD 41, Great Falls, told the committee this was known as a DROP plan (Deferred Retirement Option Plan). He said this would allow member to continue working while procuring a lump sum benefit. A member who was eligible for a service retirement following 20 years of service could elect to join the DROP. **REP. WHITAKER** stated the member would continue their employment relationship while their service retirement was deposited into a DROP account on a monthly basis. Interest would be added to the DROP account on an annual basis. He added the member could participate in this plan for up to five years. At the conclusion of the DROP, the member could choose to reinvest the money into investments such as an IRA or choose to receive the money in a lump sum. **REP. WHITAKER** stated if the member chose to terminate employment after the DROP, the member would then begin to receive the monthly benefit calculated on the amount of service prior to joining the DROP.

Proponents' Testimony:

Jerry Williams, Montana Police Protective Association, stated the DROP plan could be continued for up to five years. The member would be required to have at least 20 years in the system. He told the committee many cities had trouble recruiting and retaining police officers. **Mr. Williams** said the DROP offer would allow officers to continue working past their normal retirement date while allowing the cities to prepare for their retirements and be able to budget their retirements and replacements. He added the DROP plan would not increase any unfunded liability. **Mr. Williams** told the committee it was important to maintain the integrity of the system.

Tom Schneider, Montana Public Employees Association, told the committee his association strongly supports this legislation.

Mark Tymrak, Montana Association of Chiefs of Police, urged support and passage of this bill.

Kathy McGowan, Montana Sheriffs and Peace Officers Association, stated the DROP plan was a good idea for a select group of people.

Richard Klemencic, Retired Police Officers Association, expressed support for this bill.

Jack Osweiler, Retired Police Officers Association, urged support of this bill.

Opponents' Testimony: None

Informational Testimony:

Mike O'Connor, Montana Public Employees Retirement Administration, EXHIBIT(sts64a01) explained the DROP plan to the committee.

Questions from Committee Members and Responses:

SEN. PETE EKEGREN asked **Mike O'Connor** if the monthly benefits for an officer who served for 20 years and chose the DROP plan would go into the DROP fund. **Mr. O'Connor** said they would go into the DROP plan.

SEN. EKEGREN asked **Mike O'Connor** if the employee would get any additional benefits. **Mr. O'Connor** responded the employee would get their regular retirement benefits for their 20 years of service.

SEN. EKEGREN asked **Mike O'Connor** if the employee could take the lump sum out in addition to his monthly benefit. **Mr. O'Connor** replied yes.

SEN. EKEGREN asked **Mike O'Connor** why this would not work for everyone. **Mr. O'Connor** answered it depended on how old the employee was when they retired.

SEN. EKEGREN asked **Mike O'Connor** if the employee had to take the lump sum out. **Mr. O'Connor** replied, yes, when the employee terminated their service.

SEN. EKEGREN asked **Mike O'Connor** why this wouldn't work for everyone. **Mr. O'Connor** answered it depended on the need of the individual. He added not everyone would want to receive a lump sum.

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SEN. EKEGREN asked **Jerry Williams** why a program could not be designed to fit the employees needs. **Mr. Williams** answered this was a lump sum option for those who wanted it. He told the committee the employee may not want this plan if there was a potential for promotion.

SEN. BOHLINGER told **Mike O'Connor** he liked making options available. He asked **Mr. O'Connor** if the employee would have the option of investing the lump sum in a manner of their choice. **Mr. O'Connor** responded, yes, they could. He added a good thing about this plan was that it forced the officer to look at retirement options before they actually retired.

SEN. DON HARGROVE asked **Mike O'Connor** to give a comparison between the amount of retirement a police would receive with the regular retirement plan and the amount received in the DROP plan. **Mr. O'Connor** explained the amount would be the same in the long term. He added the employee either received a lump sum with lower monthly benefits or no lump sum with higher monthly benefits.

SEN. HARGROVE asked **Mike O'Connor** if the employee still received increase during the five year period. **Mr. O'Connor** answered yes.

SEN. EKEGREN asked **Mike O'Connor** if the employee still received raises if they joined the DROP plan. **Mr. O'Connor** answered, yes, the employee would still receive the increases.

SEN. HARGROVE asked **Mike O'Connor** if there were any tax implications with this plan. **Mr. O'Connor** responded that was why there would be some amendments for this bill for the IRS to approve the plan.

SEN. HARGROVE asked **Tom Schneider** why this plan was not considered "double dipping". **Mr. Schneider** answered it was not "double dipping" because the employee received the same amount in the end, with options of how and when to receive the money.

Closing by Sponsor:

REP. JAMES WHITAKER, HD 41, closed HB 452.

ADJOURNMENT

Adjournment: 10:45 A.M.

SEN. DON HARGROVE, Chairman

LYNETTE BROWN, Secretary

DH/LB

EXHIBIT (sts64aad)